

Fred Meyer

Justification and Business Need

There are a number of circumstances that qualify as a business need for wireless services. Examples may include: associates who have technical or logistical support responsibilities requiring frequent movement among various locations, and associates who are members of key personnel who are needed in the event of emergencies. Frequent travel, by itself, is not justification for approval. Additional, specific, examples of appropriate business justification for associate access to wireless services include:

- ◆ Technical on-call support
- ◆ Facility engineering and maintenance staff
- ◆ Store operations support for personnel with daily requirements to be at multiple locations

Each associate's situation will be reviewed individually based upon their responsibilities and circumstances.

Submitting a Request

Follow the steps below to request a cell phone:

Step	Action
1	Prepare a written TSR request. The request should include an explanation of why the associate needs a cell phone and/or pager and what the anticipated usage will be. <i>Cell phones only:</i> Usage includes areas (states) of travel and number of minutes per month.
2	Division's TSR Designated Requestor will then submit the request to the CFO, Senior V.P., Finance for approval.
3	The CFO, Senior V.P., Finance will sign and date the request, if approved. The phone, accessories and/or pager will then be ordered and added to the corporate account.

Cell Phone Package

Fred Meyer offers a standard cell phone package. This package includes a cell phone, AC charge/adapter, case with belt clip, headset and car adapter/charger. Associates requesting phones or accessories different from the standard will be required to reimburse Fred Meyer for the complete purchase at cost.

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Device Security

Each associate is responsible for the reasonable care in handling and protecting wireless devices provided by or paid for by Fred Meyer. Should such equipment be lost, stolen, or damaged beyond repair, replacement costs of basic equipment must be borne by the responsible associate's division. Fred Meyer will not replace a higher cost device that has been previously subsidized by the associate. Fred Meyer will not cover insurance charges on any wireless devices.

Information and Business Security

Due to the sensitive nature of communications within Fred Meyer, including but not limited to wireless devices, any communications that have been processed or stored on a Fred Meyer-owned network or data circuit are considered "Company Confidential" and will be protected as such. All associates are urged to protect and safeguard confidential information at all times.

Acceptable Use

Fred Meyer wireless devices and services are for business use (refer to the '**Personal Use**' section of this policy). Associates are required to utilize wireless devices and services in an approved, ethical, and lawful manner to avoid loss or damage to corporate operations, image, or financial interests, and to comply with other Company policies and procedures.

Inappropriate use of wireless devices and services include but are not limited to:

- ◆ Creating, downloading, storing, copying, or transmitting sexually explicit information and/or materials
- ◆ Information and/or materials that may embarrass or harass others based on the basis of race, age, creed, religion, color, gender, disability, national origin, or sexual orientation
- ◆ Materials to engage in or promote any activities prohibited by law
- ◆ Unauthorized broadcast transmissions, mass mailings, or chain letters that could congest, delay, or disrupt network service
- ◆ Using Company equipment or resources for private gain
- ◆ Using wireless devices as a staging ground or platform to gain unauthorized access to other systems

Note: See Corporate Policy 4.2 *Sexual Harassment and Other Forms of Harassment* and 7.5 *Electronic Mail* for additional information.



Phone Usage Guidelines

When placing business phone calls or returning a page, Fred Meyer associates should adhere to the following guidelines. The guidelines are ranked from the least costly to the most costly methods of placing a phone call

When calling from...	Do this...
One Kroger location (Fred Meyer, Smith's, QFC etc.) to another	Use the <i>Company phone system</i> ; for example, system speed dial, if possible.
A Non-Kroger location which does not permit free calling	Use your <i>corporate calling card</i> .
A hotel room	Ensure that the hotel does not apply additional charges for local or 1-800 calls. If room charges do apply, use your <i>corporate calling card</i> from a lobby payphone where reasonable.
A payphone	Use your <i>corporate calling card</i> .
Anywhere else	Use your <i>cell phone</i> .
Note: Due to the fact that charges per minute are accumulated, a cell phone should not be used when calling 1-800 numbers unless it is the only resource available. Never use a cell phone with a calling card.	

Personal Use

Fred Meyer wireless devices and services are for business use; however, it is understood some incidental personal use will occur on cell phones. This is permissible, but good judgment should be exercised when using the phone for personal calls. All usage will be monitored for any apparent abuses. Fred Meyer generally relies on the honor system to ensure compliance with the business-only usage limitation. Compliance with this honor system will be audited by either a Fred Meyer-sponsored and/or third party group that reviews and manages Fred Meyer's ongoing wireless expenses.

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Reimbursing Company for Personal Cell Phone Calls

Associates are required to reimburse Fred Meyer on a monthly basis for all calls that are not business related. The reimbursement shall be based on the cost per minute the rate plan implies (i.e., 600 minute plan for \$89.99 per month is \$0.15 per minute) for personal use. If personal use causes the rate plan to be exceeded, resulting in a higher (e.g., \$0.25 per minute) rate, all personal calls causing the excess will be charged to the associate at the higher (e.g., \$0.25 per minute) rate.

Note: Refer to Corporate Policy 3.3 *Travel, Expenses, and Advances* for guidelines when making calls to your home.

Reimbursing You for Business Calls from a Personal Cell Phone

Fred Meyer will not reimburse an associate or contractor for business related charges incurred on a personal cellular wireless device unless the associate has prior approval from their division head.

On an exception basis, if an associate or contractor not eligible for a Fred Meyer-issued cellular wireless device incurs business related charges on their personal cellular wireless device, those charges will be reimbursed via Fred Meyer Expense Report. The regularity and amount expensed will be reviewed and approved by the associate's direct supervisor and CFO, Senior V.P., Finance. The amount of these business related personal charges generally should not exceed \$25.00 and should not be on a recurring basis.

Expense Review and Chargeback

Fred Meyer will monitor the monthly billings for accuracy and approved usage. Each division has the responsibility to bill the associate for any unauthorized wireless services usage. Each division is empowered to recover unauthorized costs through payroll deduction, or payment in the form of a check directly from the associate.

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Disposition

When an associate no longer has a need for a specific wireless device or service, they must return the equipment to their direct supervisor or Human Resource representative. This includes changes in employment status, including but not limited to resignation, reassignment, termination, and reclassification. In addition, Fred Meyer must be notified of any associate change in status or responsibility for wireless devices and services.

If an associate wishes to retain their wireless device for personal use after disposition, the associate may compensate Fred Meyer for the purchase price of that equipment in the form of a check. If the device is capable of transmitting, processing, or storing sensitive data, associates must have the device sanitized prior to retaining the device for personal use (refer to the '**Sanitization of Wireless Data Devices**' section of this policy).

The associate would then need to obtain a personal new activation contract from a wireless service provider/paging company. Under no circumstances will Fred Meyer reimburse the associate for out of pocket expenses for the upgraded phone or accessories.

Each department head has the responsibility to ensure that these devices or purchase funds are collected at the time of change in disposition. To verify the return of equipment, associates must sign a statement of certification, which will serve as a receipt for the associate.

Sanitization of Wireless Data Devices

Before transferring, discarding, or sending out for maintenance any Fred Meyer owned wireless device capable of transmitting, receiving, or storing sensitive information, associates must arrange to have the equipment sanitized by contacting the division contact or KTM. The cost to sanitize a device(s) that will be retained by an associate will be the responsibility of the associate.

Associate's Final Paycheck

Upon leaving the employment of Fred Meyer, an associate's phone/pager must be returned to the associate's supervisor or the associate needs to reimburse the company for the cost of the phone/pager prior to the associate's final paycheck being issued.

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3.3 The Kroger Co./Fred Meyer Travel Policy*

(9/05)

Statement

It is the policy of The Kroger Co./Fred Meyer to reimburse associates for reasonable expenses incurred in the course of necessary business related travel. We rely on associates' good judgment in keeping expenses to a minimum and knowing and selecting the most economical alternatives available.

To assist the traveler in scheduling and paying for business related expenses, the Company has entered into agreements for travel agency services and for VISA Travel Card privileges. These provide for revenue sharing with the Company. All Company travel services are to be procured through Cliqbook or Corporate Travel Department and be paid for by using the VISA Travel Card. Department heads should ensure that each traveler has a copy of this policy. If policy is not followed, travel reimbursement may not be given.

To obtain a VISA card, send request to Department Head for approval. A copy of the VISA request form is available on Kroger intranet (Barneyweb > Department, Services & Travel > Travel > VISA Info > VISA Applications). The Department Head should forward to Division or Department Administrator for proper setup. The listing on Department Administrators is available on the Barneyweb travel website.

Scope

This policy applies to all Kroger Co./Fred Meyer associates. Independent contractors are responsible for their own travel arrangements and expenses, and are not covered by the provisions of this policy.

Effective date

This policy is effective immediately and supersedes any previous policies.

Policy owner

Route all policy questions and suggested updates to the Chief Financial Officer.

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Violation of this policy

The Company expects all associates to comply with the Company's travel policy. Violations of the Company's travel policy (e.g., charging personal expenses outside of business travel to your card, or managing or spending Company travel funds inappropriately) may result in disciplinary action, up to and including termination of employment and possible criminal investigation.

Pre-trip approval

Pre-trip approval is required for all business travel. A copy of the pre-trip authorization form is available on the Barneyweb travel website. Your direct report should approve each pre-trip authorization form.

Exceptions:

- ◆ Vice Presidents and above do not need pre-trip approval for general business travel; for example, store visits.
- ◆ Associates whose job responsibilities require them to travel on a consistent basis (for example, regional office associates) do not need approval for general business travel within those geographic areas.

A copy of the pre-trip approval should be turned in along with receipts.

Booking travel

Use Cliqbook:

- ◆ When booking airfare, hotel, and/or car rentals

Note: To access Cliqbook, use the following Kroger intranet path: Barneyweb > Department, Services & Travel > Travel > Cliqbook

Use Corporate Travel - (513) 762-1300:

- ◆ When traveling to a meeting that was booked through the meeting department and has a meeting code
- ◆ When changing a reservation that has already been ticketed
- ◆ For all international travel
- ◆ Store Openings

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Use Meeting Department:

- ◆ Meetings outside Kroger/Fred Meyer offices that involve at least 10 Kroger Enterprise associates
- ◆ Store openings that require hotel and air reservations

Note: see Barneyweb travel website for form

Travel should be booked before 9PM EST due to the increased fees for after hour coverage.

Our agreement for booking travel on Cliqbook provides for a 100% rebate of commissions from airlines, hotels, and rental car agencies, as well as rebates for making all of the reservations. We pay a set fee for this service. These rebates can only be realized if travel is booked through Cliqbook. The use of Cliqbook will also allow us to build a database of travel costs including frequent travel destinations and the number of hotel rooms and rental car days procured per year. This information will facilitate the negotiation of more favorable rates for these services.

For airline reservations only, the fees charged for using Corporate Travel versus Cliqbook are higher; therefore, airline reservations that are made using Corporate Travel versus Cliqbook will have an additional \$27.00 fee charged when the airline reservation is made. These will be included as a separate charge on your Travel Card statement. Adjustments made to current airline reservation will not be charged an additional fee.

Reporting expenses

The Company will pay VISA directly for the charges made on the VISA Travel Card.

The process for reporting expenses on the VISA card is:

- 1 Receipts are required for hotels, rental cars, and any expenses equal to or greater than \$75. Airline receipts are not needed because the Wells Fargo program will receive a feed from the airlines with the appropriate detail information.
- 2 Explanation of airline ticketing change charges should be noted.
- 3 On a monthly basis, the traveler will receive an E-mail from Wells Fargo that will link the traveler to their online statement.
- 4 The traveler should note the business purpose beside each item on the Wells Fargo web-based statement.

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- 5 Any meals for more than one person should have the name/titles, division/company name if outside of The Kroger Co/Fred Meyer., and the nature of business conducted.
- 6 Meals and entertainment - The program will ask how many people were in attendance. This is due to the IRS deductibility on meals and entertainment.
- 7 The statement should be approved online by the traveler within 2 weeks of E-mail receipt, if needed, a check made payable to the Company for any personal items should be forwarded to your supervisor for approval along with receipts.
- 8 The pre-trip approval form, receipts, and the Online Statement Summary page should be attached and inserted in an inter-company envelope and given to approving manager within 2 business days of approval from traveler.
- 9 If the manager is incorrect in the program, the user should contact the Division program administrator.
- 10 The Wells Fargo web-based program will allow the traveler to include all out-of-pocket expenses. These out-of-pocket expenses will be paid in the following payroll cycle: Since this program allows for out-of-pocket expenses, manual Travel and Expense reports will no longer be available. A link will be available on Barneyweb on how to handle these on this program.

Administration

- 1 Each month an E-mail will be sent to all travelers (cardholders) to approve travel expenses.
- 2 Once traveler (cardholder) approves statement, an E-mail will be sent to approving Manager to approve travel statement. VISA statements should be reviewed by manager for any unusual expenditures and for support (receipts), proper documentation, pre-trip authorization form, and adherence to company policy.
- 3 If Manager approval is not completed within 2 weeks of E-mail receipt, additional E-mails will be sent to Kroger Program Administrator to follow-up with Manager.
- 4 Manager should forward all checks for personal use to division program administrator.
- 5 If Manager receives an E-mail for a statement that is no longer the appropriate approver, Manager should contact division administrator for adjustment.

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- 6 Once approved, Manager should give receipts to division program administrator for further processing. See listing of division program administrators on the travel website.
- 7 Accounting will review to make sure travel policy was followed and that any money due the Company for personal use has been submitted at this time. All managers are responsible for reporting the misuse of a company card immediately to the Vice President of Internal Audit and to the Corporate Controller's office.

Each individual who is issued a Travel Card has an important responsibility and should observe the following guidelines:

- ◆ All business-related expenses are to be charged to your card whenever possible.
- ◆ Reimbursement must accompany the VISA statement for any personal charges incidental to the business trip or expense, such as in-room movies, mini-bar and laundry. Under no other circumstances may personal expenses be charged to the Travel Card.
- ◆ You must report the loss of your card immediately to division administrator.
- ◆ It is the responsibility of the user, to follow-up with VISA on all unauthorized charges. Links are available in the program to dispute charges only when the merchant denied reimbursement.

Failure to comply with these guidelines or fraudulent use of the Travel Card could result in disciplinary action, up to and including termination of employment and possible criminal prosecution.

Flight guidelines

Cliqbook shows a message advising of the lower fare. If you do not choose the lower fare you will be asked to explain why not. These fares will often have connecting flights, direct flights with stops or other times than those requested. Based on their schedule, the route offered, and the potential for savings, travelers should consider accepting the lowest fare. Don't reject alternatives just because meetings are scheduled at a certain time in the destination city. Divisions will usually change a meeting time if savings are involved.

The guidelines used by traveler on domestic travel is as follows:

- 1 Alternate flights will be equal or less than one stop. One stop is not grounds for refusal of lowest fare. "Wrong" airline is not grounds for refusal of lowest fare.
- 2 Alternate flight should be within 2 hours of desired flight times.

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- 3 If higher priced flight is selected, the additional amount paid should be less than \$100.

If alternate travel selected is outside of these parameters, Corporate Travel will communicate these exceptions to the policy to the Division Controller.

Also, Cliqbook has a feature that will look for alternate travel locations that provide \$500 savings to the company if the flight is changed to an alternate location. In these cases, Corporate Travel will contact the user to request a change to their existing reservation. We have arrangements for economical one-way rentals or van service to depart from surrounding cities that, when balanced with the reduced airfare, can provide for significant savings. Travel from neighboring cities will be within 2 hours driving distance.

Corporate Travel will contact travelers when free tickets are available in exchange for flights that were booked at a high rate.

Corporate Travel will communicate to travelers any unused tickets. Travelers should use these unused tickets when applicable on their next trip.

For domestic flights, only coach fares are reimbursable. The traveler will pay for upgrades from coach. International travel should be booked well in advance of travel so the most economical class of travel can be booked. For Asia travel, business class is acceptable. European travelers must use their FF miles or pay the upgrade to business.

Any fees associated with frequent flyer points are not reimbursable.

Rental cars

All business associates who will be driving the vehicle are, by terms of our agreement, authorized operators. (One exception is drivers under 25 years of age. They must produce a valid driver's license and be included on the contract as an authorized driver). This is important as it relates to the insurance coverage under our Travel Card.

It is important that all rentals be procured with the Travel Card because it provides the traveler with business insurance coverage. This coverage provides first dollar payment for any damage to the rented vehicle. All authorized drivers are covered by this insurance. It applies only to business travel. Personal rentals are not covered by this insurance. Any rentals that are more than 50% business are considered to be business and are covered by this insurance. For coverage to be in effect, you must:

- 1 Initiate and complete the entire rental transaction with the Corporate VISA

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- 2 Decline the car rental company's collision damage waiver (CDW/ LDW) option or similar provisions, if offered by the car rental company.
- 3 Rental cars should always be refueled before being returned to the rental agency.
 - a In the majority of cases, the rental fuel option is more expensive than refueling before return; therefore, the fuel option should be declined when available.

All rentals must not exceed 31 days. If necessary to extend your rental you must go to the rental locations and have them trade the car.

If you should be involved in an accident while renting a car please ask the rental car company for a copy of the initial and final car rental agreement, a copy of the repair estimate or itemized repair bill and a copy of their Accidental Report Form and claim document, which should indicate the costs you are responsible for and any amounts that have been paid toward the claim. All accidents must be reported to VISA. VISA's number is 1-800-VISA 911.

If the rental car is the only car damaged, this is taken care of by VISA. If there is damage to other vehicles/property the claim should go through Car Rental Company first because they should offer minimum liability coverage. It should be reported at the time the car is returned so be sure to obtain the other drivers information. The Car Rental Company will take information and process the claim. If the Car Rental Company rejects the claim, then you need to notify your division controller to pay the claim since we are self insured.

Be sure to check the vehicle for prior damage before leaving the rental lot.

The Travel Card is to be used for gas on a rental car.

Frequent Flyer charges on rental cars should not be on the VISA travel card. Charges will need to be reimbursed to the company.

Personal Automobile

Associates who use their cars in the course of business travel are required to carry their own insurance in amounts sufficient to protect their personal interests. Company insurance covers only Company liability. Reimbursement for mileage to/from the destination (airport, KMA, plant, etc.), regardless of the day of travel, should meet the following criteria:

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Mileage used to calculate reimbursement should be the total miles traveled less the normal mileage to and from the normal work location (i.e., travel to/from your normal work location, on any day, is never reimbursable). If an associate does not have a regular business location, associate should use standard deduction of 10 miles each way (20 miles per day) as the non-reimbursable commute miles.

Examples:

- 1 If home to/from destination is 35 miles and home to/from office is 15 miles, the difference is reimbursable (20 miles).
- 2 If office to destination is 15 miles (30 miles round trip), 30 miles are reimbursable.

Automobile travel allowance rates are:

All associates will be reimbursed at the standard IRS rate, which will be updated each year. Currently the rate is \$.405 per mile driven on Company business.

The Wells Fargo Travel web-based program should be used to pay for all mileage reimbursement. Manual expense statements will not be accepted for reimbursement. A link on the Barneyweb travel site will be available to process out of pocket expenses, or the traveler can process the out of pocket expenses at the time the statement is being reconciled. Payments via a check will be made consistent with the associate's payroll cycle.

Generally, the use of personal automobile versus rental car or taxi is more economical when considering which to use. The decision should be based on the lowest total cost to the company. Airport parking fees and duration of the trip are factors that all need to be considered. The travel site list some discount parking opportunities.

Taxi and shuttle services

Taxi and shuttle services may be more cost effective mode of transportation than a car rental. Be sure to check to see if this service accepts your VISA as a payment and if not be sure to secure receipt for your travel statement.

Meals

Breakfast on the day of departure from home is not reimbursable. Lunches, whether in or out of town, are not reimbursable unless they serve a business purpose. Being out of town on a business trip does not constitute a business purpose for lunch. Dinners are reimbursable when traveling overnight, or while in town with a business purpose. Dinners on date of return are not reimbursable (if unusual travel delays occur explanation would be required if dinner is charged). Meals

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normally should not exceed \$30.00 per day. Higher cost areas such as New York and Alaska should not exceed \$40 per day. Travelers are expected to use good judgment in keeping these costs at a reasonable level. Receipts are required as described under reporting expenses. When one person pays for the meals of other travelers or associates, the most senior diner should pay for the meals and provide the proper supporting information with the expense statement.

Expense statements must show names/titles, division/company name if outside of The Kroger Co/Fred Meyer, and nature of business conducted. Internal Revenue Service regulations require this supporting information. Business meetings involving a meal are reimbursable whether or not travel is involved.

Lodging

If the traveler only needs a hotel, without an airline, reservations are to be booked through Cliqbook. Be sure to check the Recommended Hotel Directory on the travel website for the list of preferred hotels. Cliqbook takes into consideration proximity to Company operations, security, cost and quality of facility. Cliqbook list all Preferred hotels for each facility. Alternative travel websites could be used only if they are more economical or serve a particular business need, i.e. seminar or conference. If a traveler is able to find more economical lodging in a city that is included in our preferred hotel listing, please contact Corporate Travel so it can add the location on the suggested accommodations list, if warranted, or add the cost information to their information database for future negotiations with all hotels in the area.

Hotel room amenities, including in-room movies, are personal expense and are to be reimbursed by associate when charged to the company VISA card.

The Corporate Travel rates will include parking, and most rates will include Internet. If Internet access is needed on a trip, please be sure to check the hotel amenities to verify if Internet is included in the rate. If hotel used does not include Internet access, a business purpose must be included on the travel statement for all Internet charges.

Phone calls

Equipment rental and regular monthly charges for cellular phones are not reimbursable. Refer to Fred Meyer Corporate Policy 3.2, Cellular Phones/Pagers for explanation on wireless charges. The cost of these services should not be on the VISA Travel Card. Unusual business use of a cell phone can be reimbursed by using the out of pocket feature on the Wells Fargo program.